Mobilisation of Equity by Banks

979. SHRI CHIMANBHAI HARIBHAI SHUKLA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have formulated any scheme to accord permission to some nationalised banks to enter capital market for denovo mobilisation of equity;

(b) if so, what are the details thereof; and

(c) what are the names of the nationalised banks which have been permitted to mobilise equity?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) and (b) The recent amendments to the Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970 and 1980, enable nationalised banks to access the capital market for mobilisation of equity subject to the condition that Central Government shall at all times hold not less than 51 percent of the paid up capital of these banks. Before doing so, they are required to approach Reserve Bank of India and Government of India for necessary sanction under the said Act.

(c) So far, only Oriental Bank of Commerce has been permitted by the Reserve Bank of India and Government to mobilise equity.

Price of gold in the international market

980. SHRI O. P. KOHLI: Will the Minister of FINANCE be pleased to state:

(a) whether the price of gold in the international market is low while the cost of the same in India is higher;

(b) if so, the reasons therefor; and

(c) the steps taken to check the factor responsible for high cost in India and to correct them?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) Currently the domestic price of gold in the Bombay market is about 18 per cent higher than the London price of gold when converted at the official rate of exchange.

(b) and (c) With extremely meagre domestic production, the domestic demand for gold is met by the international market. Under the liberalised gold import scheme, the duty works out to about 7 per cent. In addition, the importer has to incur the cost of transportation, marketing etc, and the local trade also adds its profit margin.

Gold is now imported under the liberalised scheme of gold imports since March, 1992. Gold is also permitted to be imported against the freely transferable special import licences. Because of these steps the domestic price which was higher than the international price by over 50 per cent prior to the gold import scheme, has now declined with a difference of only 18 per cent.

Inflation induced by foreign capital and fiscal deficit

981. SHRIMATI KAMLA SINHA:
DR. BAPU KALDATE:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the World Bank has cautioned Government against the dangers to the country's economy by inflation induced by large inflow of foreign capital and fiscal deficit;

(b) if so, what are the details thereof; and

(c) what is the reaction of Government with regard thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) The World Bank in its Country Economic Memorandum 1994 has underlined the inflationary potential of fiscal

deficit as also the large inflow of foreign capital.

(c) The Government and the Reserve Bank have already taken/contemplated a number of steps to moderate the possible inflationary impact. These include (i) limiting the Central Government's fiscal deficit to 6 per cent of GDP in 1994-95 from 7.3 per cent last year; (ii) placing a cap on recourse to ad hoc treasury bills by the Central Govt.; (iii) active open market operations by the Reserve Bank in Government securities; (iv) raising of the cash reserve ratio of the scheduled commercial Banks; (v) tightening of selective credit controls in the case of certain sensitive commodities; (vi) moderation in bank's access to refinance from Reserve Bank; (vii) allowing the import of sugar, raw cotton and edible oils under Open General Licence (OGL) at Zero/concessional rate of duty; and (viii) active intervention in the foodgrains market by open market sale of rice and wheat through FCI. The comfortable stock of foodgrains and foreign exchange reserves and strict implementation of monetary and fiscal policies are expected to bring about a sharp reduction in the inflationary rate during the current financial year.

Setting up of cell for NRIs

982. SHRI SYED SIBTEY RAZI: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to set up a cell to sort out the problems faced by Non-Resident Indians while making investment in India;

(b) if so, the details thereof with its functions;

(c) whether some facilities are available to Non-Resident Indians;

(d) if so, the details thereof with formalities required by NRIs to avail of these facilities;

(e) whether some eligibilities have also been fixed for becoming NRIs; and

(f) if so, the details thereof, and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) No Sir.

(b) Does not arise.

(c) and (d) Some of the investment facilities available to Non-resident Indians (NRIs) are ars follows:

(i) Investment upto 100 per cent equity with full benefits of repatriation of capital invested and income accruing thereon in high priority industries specified in Annexure-III to the Industrial policy, 1991.

(ii) Investment upto 100 per cent with repatriation benefits for establishing Export Houses, Hotels and Tourism related industries; and

(iii) Bulk investment on private placement basis upto 100 per cent of the equity capital of any sick company either by way of purchase of equity shares from the existing shareholders or in the form of subscription to new equity shares of the sick company.

The NRIs intending to avail of the above investment facilities are required to obtain approval from the Reserve Bank of India and adhere to the conditions attached to the approval.

(e) and (f) In deference to the general demand of NRIs that they should not lose their non-resident status even if they visit India and stay for more than 149 days, the Finance Minister, in his speech while presenting the Budget for 1994-95, announced a raise in the period of stay to 181 days.

Non-performing assets of Nationalised Banks

983. SHRI K. RAHMAN KHAN: Will the Minister of FINANCE be pleased to state: